SENATE AMENDED

PRINTER'S NO. 3726

## THE GENERAL ASSEMBLY OF PENNSYLVANIA

## HOUSE BILL No. 2344 Session of 2024

INTRODUCED BY BOROWSKI, TAKAC, PROBST, DONAHUE, GIRAL, SANCHEZ, MAYES, KHAN, GUENST, DELLOSO, CIRESI, WAXMAN, KRAJEWSKI, HILL-EVANS, CERRATO, KRUEGER, BOYD, DALEY, KAZEEM, O'MARA, GREEN, PIELLI, WEBSTER, T. DAVIS, MADSEN AND CURRY, MAY 28, 2024

SENATOR BROOKS, HEALTH AND HUMAN SERVICES, IN SENATE, AS AMENDED, OCTOBER 7, 2024

## AN ACT

1 2 3 4 5 6 7 8 9 10 11	Amending the act of July 19, 1979 (P.L.130, No.48), entitled "An act relating to health care; prescribing the powers and duties of the Department of Health; establishing and providing the powers and duties of the State Health Coordinating Council, health systems agencies and Health Care Policy Board in the Department of Health, and State Health Facility Hearing Board in the Department of Justice; providing for certification of need of health care providers and prescribing penalties," providing for health systems- protection ATTORNEY GENERAL NOTIFICATION; imposing a fine; and promulgating regulations.	
12	The General Assembly of the Commonwealth of Pennsylvania	
13	hereby enacts as follows:	
14	Section 1. The act of July 19, 1979 (P.L.130, No.48), known	
15	as the Health Care Facilities Act, is amended by adding a	
16	chapter to read:	
17	<u>CHAPTER 8-C</u>	
18	HEALTH SYSTEMS PROTECTION	<
19	ATTORNEY GENERAL NOTIFICATION	<
20	Section 801-C. Definitions.	

1	The following words and phrases when used in this chapter
2	shall have the meanings given to them in this section unless the
3	context clearly indicates otherwise:
4	"Acquired entity." The entity, or portion of an entity,
5	acquired under an agreement or transaction.
6	"Acquiring entity." The entity PERSON, or portion of an <
7	entity, that acquires or takes control of an acquired entity
8	<u>under an agreement or transaction.</u>
9	"Acquisition." An agreement, arrangement or activity the
10	consummation of which results in a person HEALTH CARE FACILITY <
11	acquiring direct or indirect control of another person HEALTH <
12	CARE FACILITY. The term includes the acquisition of voting
13	securities and noncorporate interests, including assets, capital
14	stock or membership interests or equity interests.
15	"Against the public interest."
16	<u>A determination that an action is against the welfare or</u>
17	well-being of the general public of this Commonwealth.
18	"Agreement or transaction." An agreement or transaction as
19	described under section 803-C(a).
20	"Attorney General." The Office of Attorney General of the
21	Commonwealth.
22	"Capital distribution." A payment made, liability incurred
23	or other consideration given by a target firm health system to a
24	person HEALTH CARE FACILITY for the purchase, acquisition, <
25	redemption, repurchase, payment or retirement of capital stock
26	or other equity interest of the target firm health system or as
27	a dividend, return of capital or other distribution in respect
28	of the target firm health system's capital stock or other equity
29	<u>interest.</u>
30	"Community health needs assessment." An assessment that
202	40HB2344PN3726 - 2 -

1	complies with the requirements of 26 U.S.C. § 501(r)(3)
2	(relating to exemption from tax on corporations, certain trusts,
3	<u>etc.).</u>
4	"Contracting affiliation." As follows:
5	(1) The formation of a relationship between two or more
6	entities that permits any of the following:
7	(i) The entities to negotiate jointly with carriers
8	or third-party administrators over rates for professional
9	medical services.
10	(ii) One entity to negotiate on behalf of the other
11	entity with carriers or third-party administrators over
12	rates for professional medical services.
13	(2) The term does not include an arrangement among
14	<u>entities under common ownership.</u>
15	"Health system." As defined in section 809.2.
16	"HEALTH CARE FACILITY." AS DEFINED IN SECTION 103. <
17	<u>"Material amount." An amount <del>equal to \$25,000,000 or more.</del> &lt;</u>
18	OF THE PURCHASE PRICE PAID OR TOTAL GROSS ASSETS BEING ACQUIRED, <
19	WHICHEVER IS HIGHER, OF:
20	(1) \$10,000,000 IN A SOLO TRANSACTION; OR
21	(2) \$35,000,000 IN THE AGGREGATE DURING ONE CALENDAR
22	YEAR.
23	"Material change." Any of the following:
24	(1) The sale, transfer, lease or other encumbrance of a
25	material amount of a health system's assets or operations,
26	including real property, employment groups, emergency
27	departments or other units.
28	(2) A merger, an acquisition or a contracting
29	affiliation with another health system or provider <
30	organization that is valued at a material amount.

- 3 -

1	(3) A capital distribution or similar reduction of a	
2	health system's equity capital by a material amount or the	
3	incursion of an obligation that commits the health system to	
4	making a capital distribution or similar reduction of equity	
5	by a material amount.	
6	"Merger." A consolidation of two or more organizations,	
7	including two or more organizations joining through a common	
8	parent organization, or two or more organizations forming a new	
9	organization. The term does not include a corporate	
10	reorganization.	
11	"Person." As defined in 1 Pa.C.S. § 1991 (relating to	
12	definitions).	
13	"Provider organization." A person or organized group of	<
14	persons, whether incorporated or not, which is in the business	
15	of health care delivery or management and that represents seven	
16	or more physicians in contracting with carriers or third party	
17	administrators for the payment of health care services. The term	=
18	includes a physician organization, physician hospital	
19	organization, independent practice association, provider network	Ξ
20	or accountable care organization.	
21	Section 802-C. Transactions against public interest	<
22	NOTIFICATION.	<
23	(a) General ruleExcept as provided under subsection (b),	
24	a person may not enter into an agreement or transaction	
25	involving a material change with a health system or provider	<
26	organization in a manner that is against the public interest.	
27	ANOTHER HEALTH CARE FACILITY UNLESS THE FIRST HEALTH CARE	<
28	FACILITY COMPLIES WITH THE NOTIFICATION REQUIREMENTS UNDER THIS	
29	CHAPTER.	
30	(b) ExceptionAn action prohibited under subsection (a)	

1	may be permitted when, as determined by the Attorney General,	
2	there is no feasible alternative to prevent a health system's	
3	closure or a greater loss of health services.	
4	Section 803-C. Filing.	
5	(a) General ruleA health system or provider organization	<
6	CARE FACILITY shall file a notification in accordance with	<
7	subsection (c) and shall observe the waiting period under	<
8	subsection (b) prior to entering into an agreement or	
9	transaction that results in a material change.	
10	(b) Waiting periodA health system or provider	
11	organization shall undergo a waiting period prior to entering	
12	into an agreement or transaction, which shall:	
13	(1) begin on the date of receipt by the Attorney General	-
14	<u>of:</u>	
15	(i) the notification required under subsection (c);	
16	or	
17	(ii) if notification is not completed, the	
18	notification to the extent completed and a statement of	
19	the reasons for noncompliance with subsection (c) from	
20	both persons; and	
21	<u>(2)</u> end:	
22	(i) ninety FORTY-FIVE days following the date of	<
23	receipt under paragraph (1) for all agreements or	
24	transactions; or	
25	(ii) on a later date <del>as may be prescribed under .</del>	<
26	subsection (d) or section 808 C. IF EXTENDED AS	<
27	PRESCRIBED UNDER SUBSECTION (D).	
28	(c) NoticeThe notification of the transaction or	
29	agreement required under subsection (a) shall be submitted to	
30	the Attorney General on a form and in a manner developed by the	
202	40HB2344PN3726 - 5 -	

1	Attorney General. The notification shall include all of the
2	<pre>following, if applicable:</pre>
3	(1) All organic documents, including articles of
4	incorporation, bylaws, operating agreements and other
5	documents related to governance and ownership of each party.
6	(2) All complete transaction documents with attachments,
7	including collateral or ancillary agreements involving
8	officers, directors or employees.
9	(3) All documents signed by the principals, or their
10	agents, that are necessary to determine the proposed
11	transaction's effect, if any, on related or subsidiary
12	business entities, whether nonprofit or for profit.
13	(4) Any of the following that comprise part or all of
14	the transaction:
15	(i) Asset contribution agreements.
16	(ii) Operating agreements.
17	(iii) Management contracts.
18	(5) All information necessary to evaluate the effects of
19	the transaction on each component of an integrated delivery
20	system if that transaction involves a hospital, including any
21	changes in contracts between the integrated delivery system
22	entities and related physician groups.
23	(6) All financial documents of the transaction parties
24	and related entities, if applicable, including audited
25	financial statements, ownership records, business projection
26	data, current capital asset valuation data and any records
27	upon which future earnings, existing asset values and fair
28	<u>market value analysis can be based.</u>
29	(7) All fairness opinions and independent valuation
30	reports of the assets and liabilities of the parties,

1	prepared on the parties' behalf.
2	(8) A list of all donor restricted assets, together with
3	origination documents and current fund balances.
4	(9) All relevant contracts that may affect value,
5	including business contracts and employee contracts, such as
6	buy-out provisions, profit-sharing agreements and severance
7	<del>packages.</del>
8	(10) All information and representations disclosing
9	related party transactions that are necessary to assess
10	whether the transaction is at arm's length or involves self-
11	dealing.
12	(11) All documents relating to noncash elements of the
13	transaction, including pertinent valuations of security for
14	loans and stock restrictions.
15	(12) All tax-related information, including the
16	existence of tax free debt subject to redemption and
17	disqualified person transactions yielding tax liability.
18	(13) A list of ongoing litigation, including full court
19	captions, involving the transaction parties or their related
20	entities, that may affect the interests of the parties.
21	(14) All information in the possession of the
22	transacting parties relative to the perspective of the health
23	system's patient base and communities served, or their
24	<u>representatives.</u>
25	(15) All information, including internal and external
26	reports and studies, bearing on the effect of the proposed
27	transaction on the availability or accessibility of health
28	care in the affected community.
29	(16) A complete list of all insurance plans under
30	contract and their expiration dates.

- 7 -

1	(17) Organizational charts of the parties to the
2	transaction, as they exist both pre-consummation and post-
3	consummation of the transaction, detailing the relationship
4	between the principal parties, including any subsidiary.
5	(18) All additional documents that the Attorney General
6	<u>deems necessary for review purposes.</u>
7	(d) Additional information and waiting period extensions
8	(1) The Attorney General may, prior to the expiration of
9	the waiting period under subsection (b), INFORMATION REQUIRED <
10	UNDER 15 U.S.C. § 18A (RELATING TO PREMERGER NOTIFICATION AND
11	WAITING PERIOD) AND REGULATIONS PROMULGATED UNDER THE LAW.
12	(C) ADDITIONAL INFORMATION THE ATTORNEY GENERAL MAY
13	require the submission of additional information or
14	documentary material, including a community health needs
15	assessment, from a person HEALTH CARE FACILITY required to <
16	file notification under subsection <del>(c)</del> (B), or from any <
17	officer, director, partner, agent or employee of the person <
18	HEALTH CARE FACILITY. <
19	(2) The Attorney General may, in its discretion, extend <
20	the waiting period under subsection (b) for an additional 30
21	days for a transaction after the date on which the Attorney
22	General receives either of the following from a person to
23	whom a request is made under paragraph (1):
24	(i) all of the additional information and
25	documentary material requested; or
26	(ii) if the request is not fully complied with, the
27	information and documentary material submitted and a
28	statement of the reasons for the noncompliance.
29	(3) A further extension of the waiting period required
30	under subsection (b) must be granted by a court in accordance

 $\underline{\text{with section 806-C(2)}}$ .

2	(D) Right-to-Know LawA document provided to the <
3	Attorney General under this chapter shall be exempt from public_
4	access under the act of February 14, 2008 (P.L.6, No.3), known
5	as the Right-to-Know Law.
6	(E) CONFIDENTIALITY OF AND RESTRICTIONS ON USE OF <
7	MATERIALSTHE ATTORNEY GENERAL MAY NOT USE, AS GROUNDS FOR
8	PROSECUTIONS OR CIVIL ACTIONS UNRELATED TO THE TRANSACTION,
9	MATERIALS PROVIDED TO OR DISCLOSED UNDER THIS ACT TO THE
10	ATTORNEY GENERAL.
11	Section 804-C. Public hearings and notice.
12	(a) General rulePrior to the expiration of the respective <
13	waiting period under section 803-C(b), along with any extension
14	granted under section 803 C(d), PRIOR TO THE EXPIRATION OF THE <
15	RESPECTIVE WAITING PERIOD UNDER FEDERAL LAW, ALONG WITH ANY
16	EXTENSION GRANTED UNDER FEDERAL LAW, the Attorney General shall <
17	MAY conduct one or more public hearings on the proposed <
18	agreement or transaction.
19	(b) FormatA public hearing required under subsection (a) <
20	shall be live-streamed on the Attorney General's publicly
21	accessible Internet website. A video recording of the public
22	hearing shall be posted on the Attorney General's publicly
23	accessible Internet website.
24	(c) Specific entitiesIf any agreement or transaction
25	involves acquiring a provider organization or a hospital or <
26	hospital system HEALTH CARE FACILITY, the Attorney General shall <
27	
27	MAY hold a public hearing in any county in which the acquired <
28	MAY hold a public hearing in any county in which the acquired <
28	entity is located to hear comments from interested parties.

1	located. The Attorney General may request testimony at a hearing
2	from State agencies subject to section 807-C(c).
3	(d) NoticeAt least 14 days before the date of the public <
4	hearing, the THE Attorney General shall provide written notice <
5	of the date, time and place of the public hearing:
6	(1) on the Attorney General's publicly accessible
7	Internet website;
8	(2) through social and broadcast media;
9	(3) through publication in one or more newspapers of
10	general circulation in the affected community; and
11	(4) to the governing body of each county in which the
12	acquired entity is located.
13	(e) Substantive changes to proposalIf a substantive
14	change in the agreement or transaction is submitted to the
15	Attorney General after the initial public hearing, the Attorney
16	<u>General may conduct an additional public hearing to hear</u>
17	comments from interested parties with respect to the change.
18	Section 805-C. Determination and restraining prohibited
19	transactions.
20	(a) DeterminationNo later than the final date of <
21	expiration of the respective waiting period under section 803
22	<u>C(b), along with any extension granted under section 803-C(d),</u>
23	the THE Attorney General shall determine whether the proposed <
24	agreement or transaction is likely to create a material change
25	that is against the public interest, after reviewing and <
26	evaluating the following:
27	(1) the market share of a transacting party or the
28	change in market concentration or competition resulting from
29	the transaction;
30	(2) the prices charged, or any likely changes in prices
202	101102244012726

- 10 -

20240HB2344PN3726

1	following the transaction, by either of the transacting
2	parties to individuals, employers or insurers for services,
3	including relative prices compared to other providers for the
4	same services in the same geographic area;
5	(3) the quality of the services provided, or any likely
6	changes in the quality of services provided following the
7	transaction, by a health care provider party to the
8	transaction, including, but not limited to, patient
9	experience, performance on provider quality measures and
10	outcome measures, history of citations, inspection results
11	and enforcement actions taken by oversight entities;
12	(4) the availability and accessibility of services or
13	any changes to the availability and accessibility of services
14	provided by either transacting party within its primary
15	service areas and dispersed service areas;
16	(5) the impact of the material change transaction on
17	competing options for the delivery of health care services
18	within its primary service areas and dispersed service areas,
19	including, if applicable, the impact on existing service
20	providers of a large provider's expansion, corporate
21	affiliation, merger or acquisition, to enter a primary or
22	dispersed service area in which it did not previously
23	<u>operate;</u>
24	(6) the role of the transacting parties in serving
25	vulnerable, underserved, government payer patient populations
26	or low-income patient populations, rural communities, racial
27	and ethnic minorities, individuals with behavioral, substance
28	use disorder or mental health conditions and individuals with
29	other disabilities within the provider's primary service
30	areas and dispersed service areas and any likely impact to
20240H	B2344PN3726 - 11 -

- 11 -

1 <u>these populations;</u>

2	(7) the role of the transacting parties in providing low
3	margin or negative margin services within its primary service
4	areas and dispersed service areas and any likely impact to
5	these services;
6	(8) consumer concerns, including, but not limited to,
7	complaints or other allegations that a large provider or
8	proposed owner has engaged in any unfair method of
9	competition or any unfair or deceptive act or practice as
10	defined in the act of December 17, 1968 (P.L.1224, No.387),
11	known as the Unfair Trade Practices and Consumer Protection
12	Law, and any likely increase in unfair methods of competition
13	or unfair or deceptive acts or practices in or affecting
14	<u>health care commerce;</u>
15	(9) the methods used by either transacting party to
16	attract and retain patient volume, recruit, hire or retain
17	health care practitioners or acquire health care facilities;
18	(10) the impact on wages paid by, or the number of
19	employees employed by, a health care entity involved in a
20	transaction;
21	(11) the impact on wages, collective bargaining units
22	and collective bargaining agreements of existing or future
23	workers employed by a health care entity involved in a
24	transaction;
25	(12) either transacting party's prior history or
26	relevant outcomes related to any of the factors under
27	<pre>paragraphs (1), (2), (3), (4), (5), (6), (7), (8), (9), (10)</pre>
28	and (11), including provider closure, reduction in workforce
29	or change in price, quality or availability of care following
30	a prior material change, in addition to any violations of

1	relevant Federal law or regulations pertaining to healthcare,
2	competition, workforce or labor; and
3	(13) any other factors that the Attorney General
4	determines to be in the public interest.
5	(b) ActionIf the Attorney General determines that the
6	proposed agreement or transaction is against the public interest
7	under subsection (a), the Attorney General may commence an
8	action in a court of competent jurisdiction to enjoin the
9	agreement or transaction.
10	(c) LicensingA State license of a health care facility
11	shall not be revoked, denied, impeded or cited for noncompliance
12	due solely to a filing or review under this chapter.
13	Section 806-C. Compliance and power of court.
14	A person HEALTH CARE FACILITY, or any officer, director, <
15	partner, agent or employee of the person HEALTH CARE FACILITY, <
16	that substantially fails to comply with the notification
17	requirement under section 803 C(a) THIS CHAPTER or any request <
18	for the submission of additional information or documentary
19	<pre>material under section 803 C(d) THIS CHAPTER within the &lt;</pre>
20	respective waiting period, along with any extension granted <
21	under section 803 C(d), the court may, in its discretion, do any
22	or all of the following:
23	(1) Order compliance.
24	(2) Extend the waiting period until there has been
25	substantial compliance.
26	(3) Grant other equitable relief as the court determines
27	necessary or appropriate.
28	Section 807-C. Powers and duties of Attorney General.
29	(a) Rules and regulationsThe Attorney General, in
30	consultation with the department, shall promulgate rules and

- 13 -

1	regulations as may be necessary to carry out and enforce the
2	provisions of this chapter. The Attorney General and the
3	department shall ensure that the rules and regulations of the
4	Office of Attorney General and the department are not in
5	<u>conflict.</u>
6	(b) Contracts. <
7	(1) The Attorney General may do the following:
8	(i) Contract with, share information with and
9	consult and receive advice from any Federal agency or
10	Commonwealth agency as the Attorney General deems
11	appropriate to implement this chapter.
12	(ii) At the Attorney General's sole discretion,
13	contract with experts or consultants to assist in
14	reviewing the proposed agreement or transaction.
15	(2) The cost of a contract entered into under paragraph
16	(1) must be an amount that is reasonable and necessary to
17	conduct the review and evaluation. A contract shall be on a
18	noncompetitive bid basis.
19	(3) The Attorney General shall be entitled to
20	reimbursement from the transaction parties seeking consent
21	for the agreement or transaction for 50% of all actual,
22	reasonable and direct costs incurred in reviewing, evaluating
23	and making a determination under section 805-C(a), including
24	administrative costs. The transaction parties shall pay the
25	<u>Attorney General within 30 days of the request from the</u>
26	Attorney General. The Attorney General may provide additional
27	time for the transaction parties to pay their share of the
28	costs, not to exceed 90 additional days. If the transaction
29	involves a merger or acquisition, the following shall apply:
30	(i) Neither the Attorney General nor the acquiring

1	entity may seek reimbursement from the acquired entity
2	for any costs under this paragraph and the acquiring
3	entity shall be responsible for the full 50% of the
4	costs. As part of any settlement, court decree or other
5	agreement, the acquiring entity must agree that it will
6	not recoup any of its share of the costs from the
7	acquired entity.
8	(ii) An acquiring entity may petition a court of
9	competent jurisdiction for a waiver of any or all of its
10	share of the costs due to financial hardship or other
11	factors that the court determines for good cause shown.
12	The court shall determine whether the acquiring entity
13	intentionally and knowingly mismanaged its funds for the
14	purpose of becoming financially distressed to obtain
15	approval under this subparagraph. If the court finds that
16	the acquiring entity intentionally and knowingly
17	mismanaged its funds for the purpose of becoming
18	financially distressed to obtain approval under this
19	subparagraph, the court may not grant the waiver
20	petition.
21	(C) (B) Agency cooperation <
22	(1) The Department of Aging, the department, the
23	Department of Human Services and the Insurance Department
24	shall assist the Attorney General in reviewing the proposed
25	agreement and transaction, if requested, and shall promptly
26	comply with any request for testimony or information.
27	(2) The Attorney General shall comply with any request <
28	for information from MAY SHARE INFORMATION WITH the Insurance <
29	Department as may be PERMISSIBLY necessary and appropriate <
30	for the Insurance Department to concurrently review a

1	proposed transaction under Article XIV of the act of May 17,
2	1921 (P.L.682, No.284), known as The Insurance Company Law of
3	1921. Documents provided by the Attorney General to the
4	Insurance Department under this paragraph shall be treated as
5	<pre>confidential and are exempt from public access NOT PUBLIC &lt;</pre>
6	RECORDS SUBJECT TO COPYING AND DUPLICATION under the act of
7	February 14, 2008 (P.L.6, No.3), known as the Right-to-Know
8	Law.
9	SECTION 808-C. NONAPPLICABILITY. <
10	THIS CHAPTER DOES NOT APPLY TO A PHYSICIAN OR PSYCHIATRIC
11	PRACTICE, WHETHER A SOLE PROPRIETORSHIP, PARTNERSHIP, FOUNDATION
12	OR CORPORATE ENTITY OF ANY KIND.
13	SECTION 809-C. EXPIRATION.
14	THIS ACT SHALL EXPIRE FOUR YEARS AFTER THE EFFECTIVE DATE OF
15	THIS SECTION.
16	SECTION 810-C. STUDY AND REPORT BY HEALTH CARE COST CONTAINMENT
17	COUNCIL.
18	WITHIN THREE YEARS OF THE EFFECTIVE DATE OF THIS SECTION, THE
19	HEALTH CARE COST CONTAINMENT COUNCIL, AS AUTHORIZED UNDER 35
20	PA.C.S. § 3309 (RELATING TO SPECIAL STUDIES AND REPORTS), SHALL
21	PERFORM A STUDY ON THE EFFECTS OF THIS ACT AND SHALL REPORT ITS
22	FINDINGS TO THE CHAIRPERSON AND MINORITY CHAIRPERSON OF THE
23	HEALTH AND HUMAN SERVICES COMMITTEE OF THE SENATE AND THE
24	CHAIRPERSON AND MINORITY CHAIRPERSON OF THE HEALTH COMMITTEE OF
25	THE HOUSE OF REPRESENTATIVES.
26	Section <del>808 C</del> 811-C. Construction. <
27	This chapter shall not be construed to:
28	(1) narrow, abrogate or otherwise alter the authority of
29	the Attorney General to maintain competitive markets and
30	prosecute or enforce violations of antitrust and unfair trade

- 16 -

1	practices laws; or	
2	(2) prohibit any Federal agency, Commonwealth agency or	
3	other state agency from regulating an agreement or	
4	transaction or joining as party in an action seeking to	
5	enjoin an agreement or transaction, including the Insurance	
6	Department's jurisdiction to review an exposed transaction	
7	under Article XIV of the act of May 17, 1921 (P.L.682,	
8	No.284), known as The Insurance Company Law of 1921.	
9	<u>Section <del>809-C</del> 812-C. Severability.</u>	<
10	The provisions of this chapter are severable. If any	
11	provision of this chapter or its application to any <del>person</del>	<
12	HEALTH CARE FACILITY or circumstance is held invalid, the	<
13	invalidity shall not affect other provisions or applications of	
14	this chapter which can be given effect without the invalid	
15	provision or application.	

16 Section 2. This act shall take effect in 180 days.